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14
15 **IN THE UNITED STATES DISTRICT COURT FOR**
16 **EASTERN DISTRICT OF CALIFORNIA**

17 **UNITED STATES OF AMERICA, and the**)
18 **PEOPLE OF THE STATE OF CALIFORNIA, ex**)
19 **rel., the CALIFORNIA DEPARTMENT OF FISH**)
20 **AND GAME, the CALIFORNIA REGIONAL**)
21 **WATER QUALITY CONTROL BOARD, SAN**) **Civil Action No.**
22 **FRANCISCO BAY REGION, and the**) **2:07-00952-GEB-EFB**
23 **CALIFORNIA REGIONAL WATER QUALITY**)
24 **CONTROL BOARD, LAHONTAN REGION**) **AMENDED**
25) **CONSENT DECREE**
26 **Plaintiffs,**)
27 **v.**)
28 **KINDER MORGAN ENERGY PARTNERS, L.P.,**)
and SFPP L.P.,)
Defendants.)

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CONSENT DECREE

A. WHEREAS, the United States of America, on behalf of the United States Environmental Protection Agency ("EPA"), the United States Department of the Interior ("DOI"), and the United States Department of Commerce, National Oceanic and Atmospheric Administration ("NOAA"), and the People of the State of California, *Ex Relatone* the California Department of Fish and Game ("CDFG"), the California Regional Water Quality Control Board, San Francisco Bay Region ("SFBRWQCB"), and the California Regional Water Quality Control Board, Lahontan Region ("LRWQCB") (collectively the "Plaintiffs"), have filed a Complaint in this action concurrently with this Consent Decree against Defendants Kinder Morgan Energy Partners, L.P. ("KMEP") and SFPP, L.P. ("SFPP"). The Complaint alleges that Defendants are civilly liable for penalties, injunctive relief, removal costs and damages under federal law pursuant to the Clean Water Act ("CWA"), 33 U.S.C. § 1251 et seq., the federal Endangered Species Act ("ESA"), 16 U.S.C. § 1531, et seq., and the Oil Pollution Act of 1990 ("OPA"), 33 U.S.C. § 2701 et seq., and under California law pursuant to the Porter Cologne Water Quality Control Act, California Water Code § 13000 et seq., the Lempert-Keene-Seastrand Oil Spill Prevention and Response Act, Government Code § 8670.1 et seq., and the California Fish and Game Code, with respect to three separate discharges of oil from April 2004 to April 2005 from oil pipelines that Defendants own or operate, as further described herein;

B. WHEREAS, on or about April 27, 2004, approximately 2,947 barrels of oil discharged from the Defendants' North Line pipeline into the Suisun Marsh and adjoining shorelines, near Suisun City, in Solano County, California (the "Suisun Discharge"). The Suisun Discharge resulted from external corrosion on the pipeline;

1 C. WHEREAS, the Plaintiffs allege that on or about February 7, 2005, approximately
2 1,831 barrels of oil discharged from the Defendants' Brisbane Terminal-Oakland pipeline,
3 reaching the Oakland Inner Harbor, near Oakland, in Alameda County, California (the "Oakland
4 Discharge"). The Oakland Discharge resulted from longitudinally oriented gouges on the
5 pipeline from excavation damage;
6

7 D. WHEREAS, the Plaintiffs allege that on or about April 1, 2005, approximately
8 300 gallons of oil discharged from the Defendants' pipeline into Summit Creek and other waters
9 of the United States in the Donner Lake watershed and adjoining shorelines, near Truckee, in
10 Placer County, California (the "Donner Discharge"). The Donner Discharge likely resulted from
11 dents on the pipeline or corrosion related to disbonded coating;
12

13 E. WHEREAS, on or about September 2005, CDFG received from Defendants a Soil
14 Assessment Report for the Donner Discharge that recommends natural attenuation and additional
15 assessment of the soil conditions as the remedial alternatives;
16

17 F. WHEREAS, CDFG agreed to allow some contamination from the Donner
18 Discharge to remain in place subject to natural attenuation, provided that Defendants conduct
19 continued sediment and water monitoring and, in the event that natural attenuation fails to
20 remediate the remaining contamination, conduct alternative remediation and containment;
21

22 G. WHEREAS, to resolve in accordance with this Consent Decree the claims
23 asserted in the Complaint regarding the Suisun Discharge, the Oakland Discharge and the Donner
24 Discharge, Defendants will pay the sum of three million, seven hundred and ninety-five
25 thousand, one hundred and thirty-five dollars (\$3,795,135.00) for civil penalties (at least
26 \$500,000.00 attributable to the Oakland Discharge), the sum of one hundred and eighteen
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1 thousand and six hundred and sixteen dollars (\$118,616.00) for remaining CDFG response costs
2 (Oakland = \$56,956.00; Suisun = \$39,194.00; Donner = \$22,466.00), the sum of fifty-one
3 thousand and four hundred dollars (\$51,400.00) for future remediation monitoring costs of
4 CDFG for the Donner Discharge, the sum of one million, one hundred and fifty-one thousand
5 and ninety-nine dollars (\$1,151,099.00) related to the Suisun discharge for natural resource
6 damages, the sum of twenty-thousand dollars (\$20,000.00) to the National Fish and Wildlife
7 Foundation to fund projects to restore resources damaged by the Donner Discharge, the sum of
8 sixteen thousand, ninety-nine dollars (\$16,099.00) to NOAA for reimbursement of its Natural
9 Resource Damage Assessment costs associated with the Suisun Discharge, the sum of one
10 hundred forty-thousand four hundred and eighty-four dollars (\$140,484.00) to the CDFG for
11 unreimbursed Natural Resource Damage Assessment costs incurred in connection with the
12 Suisun Discharge, and any reasonable unreimbursed Natural Resource Damage Assessment costs
13 incurred by DOI with respect to the Suisun Discharge, perform specified injunctive relief related
14 to enhancement of pipeline spill prevention and response preparation to prevent future violations
15 of the CWA, and satisfy all other terms of this Consent Decree.
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20 H. WHEREAS, Defendants have taken the following steps to decrease the likelihood
21 of other such discharges:

22 (1) Installed new pipeline within the North Line system that avoids routing
23 through most of the Suisun Marsh;

24 (2) In 2005, conducted a caliper in-line inspection and a high-resolution Axial
25 Flaw Detection ("AFD") inspection survey of the entire Oakland to Brisbane 12" Pipeline, on
26 which the Oakland Discharge occurred. The AFD tool had the magnetic field rotated 90 degrees,
27
28

1 which better enabled it to detect and identify axially oriented features that may be present in the
2 pipeline. Based on data from the caliper and AFD inspections, Defendants excavated the
3 pipeline at two dig locations to visually inspect for mechanical damage and repaired or replaced
4 the pipeline at both of those locations;
5

6 (3) Cut out a 14.5 ft. long section of pipeline at the location of the Donner
7 Discharge and replaced with new pre-tested pipe;
8

9 (4) Reviewed all data acquired during a 1997 in-line inspection ("ILI") survey
10 of the entire 120 mile long pipeline system from Rocklin, California, to Reno, Nevada, on which
11 the Donner Discharge occurred, to identify and size dents that might exist. The 1997 ILI surveys
12 consisted of Electronic Geometry Pig surveys and Corrosion Detection Pig surveys. Pursuant to
13 this review, Defendants identified anomalies at twenty locations, excavated nineteen of the
14 locations to inspect for potential damage, determined that one anomaly had already been replaced
15 due to a relocation project and repaired or replaced the pipe at fifteen of the locations. The
16 balance of physically inspected pipe locations did not meet repair criteria and were recoated after
17 inspection;
18

19 (5) Performed high resolution caliper ILI surveys on the entire 120 mile long
20 Rocklin to Reno pipeline system to better identify mechanical damage and corrosion.
21 Defendants have excavated the pipeline for visual inspection in seventeen locations, which
22 resulted in Defendants repairing or replacing the pipeline in at least twelve of those locations.
23 Additionally, a high resolution Magnetic Flux Leakage Survey and Transverse Flux Inspection
24 tools were run in November 2006;
25
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1 (6) Hired and trained at least ten (10) additional employees to be present at all
2 excavations within 10 feet of the center line of any Pacific Operations Unit pipeline and
3 incorporated this requirement for qualified inspector presence at excavations into its Integrity
4 Management Plan;
5

6 (7) Created a system to integrate and overlay all data for the entire Pacific
7 Operations Unit from close interval surveys, ILI surveys, excavations, visual inspections and
8 other pipeline integrity evaluation into a Pipeline Open Database System to identify areas along
9 the pipeline system where corrosion, mechanical damage, disbonded coating or other anomalies
10 might exist that require further investigation, repair or replacement to prevent future discharges;
11

12 (8) Entered into a Consent Agreement with the United States Department of
13 Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA"), in the
14 matter of Kinder Morgan Energy Partners, L.P., CPF No. 5-2005-5025H (the "PHMSA Consent
15 Agreement"), in which KMEP agreed to address integrity threats along the entire 3,900-mile
16 Pacific Operations Unit to prevent failures, including failures caused by outside force damage
17 and corrosion. The specific terms of the agreement are set forth in the PHMSA Consent
18 Agreement, a copy of which is attached hereto as Attachment A;
19

20 (9) Established an internal company procedure to run the same quality ILI
21 through each pipeline segment and apply the same dig criteria (for investigation and validation)
22 and repair criteria for each portion of any pipeline segment regardless of whether an identified
23 condition is in an area that is designated as "could affect an 'High Consequence Area'" within
24 the meaning of 49 C.F.R. 195.452.
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1 I. WHEREAS, Defendants have revised their spill notification procedures in their
2 spill response plans to improve the promptness of notification to federal and state authorities;

3
4 J. WHEREAS, Defendants do not admit any liability to the Plaintiffs arising out of
5 the transactions or occurrences alleged in the Complaint.

6 K. WHEREAS, the Parties recognize, and the Court by entering this Consent Decree
7 finds, that this Consent Decree has been negotiated by the Parties in good faith and will avoid
8 litigation between the Parties, and that this Consent Decree is fair, reasonable, and in the public
9 interest.
10

11 NOW, THEREFORE, before taking testimony and without the adjudication or
12 admission of any issue of fact or law except as provided in Section I, below, and with the consent
13 of the Parties, IT IS HEREBY ADJUDGED, ORDERED, AND DECREED as follows:
14

15 I. JURISDICTION AND VENUE

16 1. This Court has jurisdiction over the subject matter of the United States'
17 claims in this action pursuant to 28 U.S.C. §§ 1331, 1345, and 1355 (original jurisdiction),
18 Sections 1002(a), (b)(1)(A) and (b)(2)(A), 1006, 1017(b) of OPA, 33 U.S.C. §§ 2702(a),
19 (b)(1)(A) & (b)(2)(A), 2706, and 2717(b), and Sections 309(b), 311(b)(7)(E) and 311(n) of the
20 CWA, 33 U.S.C. §§ 1319(b), 1321(b)(7)(E) and 1321(n). The Court has supplemental
21 jurisdiction over the subject matter of the CDFG, SFBRWQCB and LRWQCB's claims pursuant
22 to 28 U.S.C. § 1367(a) because these claims are so related to the federal claims that they form
23 part of the same case or controversy. This Court also has jurisdiction over the subject matter of
24 the CDFG's OPA claim under 33 U.S.C. § 2717(b). The Court has personal jurisdiction over the
25 Parties to this Consent Decree. Venue lies in this District pursuant to 28 U.S.C. §§ 1391(b) and
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1 1395(a), because the Defendants reside in this District as determined by 28 U.S.C. § 1391(c).

2 For the purposes of this Consent Decree, or any action to enforce this Consent Decree,

3 Defendants waive any right to a different venue, including under California Water Code § 13361,

4 and consent to the Court's jurisdiction over this Decree or such action and over Defendants, and

5 consent to venue in this judicial district.

6
7 2. Notice of the commencement of this action has been given to the state of
8 California, as required by Section 309(b) of the CWA, 33 U.S.C. § 1319(b).

9 10 II. APPLICABILITY

11 3. The obligations of this Consent Decree apply to and are binding on the
12 United States, the People of the State of California, *Ex Relatione* the CDFG, SFBRWQCB,
13 LRWQCB, and on the Defendants, and any successors, assigns or other entities or persons
14 otherwise bound by law.

15
16 4. No transfer of ownership or operation of any Facility, whether in
17 compliance with the procedures of this Paragraph or otherwise, shall relieve Defendants of their
18 obligation to ensure that the terms of the Decree are implemented. Defendants' transfer of
19 ownership or operation of any portion of the Facility within the Pacific Operations Unit to any
20 other person must be conditioned on the transferee's agreement to undertake the obligations
21 required by Section VII (Injunctive Relief) of this Consent Decree, as provided in a written
22 agreement between any Defendant and the proposed transferee, enforceable by the Plaintiffs as
23 third-party beneficiaries of such agreement. At least thirty (30) days prior to such transfer,
24 Defendants shall provide a copy of this Consent Decree to the proposed transferee and shall
25 simultaneously provide written notice of the prospective transfer, together with a copy of the
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1 C. "Covered Waters" shall mean all waters within the meaning of 33
2 U.S.C. § 1362(7) and all waters of the State within the meaning of California Water Code §
3 13050(e), except ground waters.
4

5 D. "Day" shall mean a calendar day unless expressly stated to be a
6 working day. In computing any period of time under this Consent Decree, where the last day
7 would fall on a Saturday, Sunday, or federal holiday, the period shall run until the close of
8 business of the next working day.
9

10 E. "Defendants" shall mean KMEP and SFPP. For the purposes of
11 Paragraphs 41, 44, 45 and 47 of Section XI of this Consent Decree, the Defendants' directors,
12 officers, and employees acting within their scope of employment, in addition to Kinder Morgan
13 Inc., Kinder Morgan Management LLC, Kinder Morgan G.P., Inc., and Kinder Morgan
14 Operating L.P. "D", shall be considered "Defendants" and shall not be considered "third parties."
15

16 F. "Facility" or "Facilities," as referenced in the Consent Decree,
17 shall include all KMEP owned or SFPP operated pipelines and associated pumps, valves and
18 pipeline operational equipment in the Pacific Operations Unit as of the date of lodging this
19 Consent Decree, or such pipelines added to the Pacific Operations Unit during the pendency of
20 this Consent Decree. The "Pacific Operations Unit" currently comprises approximately 3,900
21 miles of hazardous liquid petroleum pipelines owned or operated by KMEP or SFPP in Arizona,
22 California, Nevada, New Mexico, Oregon and Texas. For purposes of this Consent Decree, the
23 Pacific Operations Unit does not include the Carbon Dioxide or Cypress systems.
24

25 G. "HCA" shall have the same meaning as the meaning set forth in 49
26 C.F.R. § 195.450.
27
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1 H. "Natural Resources" shall have the meaning set forth in OPA
2 § 1001(20), 33 U.S.C. § 2701(20), and include land, fish, wildlife, biota, air, water, groundwater,
3 drinking water supplies, and other such resources belonging to, managed by, held in trust by,
4 appertaining to, or otherwise controlled by the United States or the state of California, and shall
5 also mean the services provided by such resources to other resources or to humans.
6

7 I. "Natural Resource Trustees" or "Trustees" mean those federal and
8 state agencies or officials designated or authorized pursuant to the CWA, OPA, or state law to act
9 as Trustees for the Natural Resources managed by, controlled by, or appertaining to the United
10 States or the state of California. Specifically, as used in this Consent Decree, these terms shall
11 mean the U.S. Fish and Wildlife Service and the CDFG.
12

13 J. "Paragraph" shall mean a portion of this Consent Decree identified
14 by an Arabic numeral.
15

16 K. "Parties" shall mean the United States, the People of the State of
17 California, *Ex Relatione* the CDFG, SFBRWQCB, LRWQCB, KMEP and SFPP.
18

19 L. "Plaintiffs" shall mean the United States, the People of the State of
20 California, *Ex Relatione* the CDFG, SFBRWQCB and LRWQCB.
21

22 M. "Section" shall mean a portion of this Consent Decree identified by
23 a Roman numeral.
24

25 N. "Spill Prevention, Response or Reporting Practices" shall mean
26 those measures or methods adopted by Defendants as described in this Consent Decree, or as
27 currently required by the PHMSA Consent Agreement, or any other protocol of the Defendants
28

1 that is intended to prevent discharges of oil from Defendants' Facilities or intended to improve
2 response capabilities, and ensure more accurate, timely reporting of oil discharges.

3
4 O. "Spills" shall mean the Suisun Discharge, the Oakland Discharge
5 and the Donner Discharge.

6 P. "United States" shall mean the United States of America, acting on
7 behalf of EPA, DOI and NOAA.

8 9 IV. CIVIL PENALTIES

10 8. Within thirty (30) days after the Effective Date of this Consent Decree,
11 Defendants shall pay civil penalties in the amount of three million seven hundred and ninety-five
12 thousand one hundred and thirty-five dollars (\$3,795,135.00) to the Plaintiffs as follows:

13 A. For alleged violations of the CWA and the California statutes set
14 forth in Paragraph A of the foregoing recitals, Defendants shall pay a civil penalty of three
15 million seven hundred and eighty thousand five hundred and fifty-nine dollars (\$3,780,559.00),
16 as follows:
17

18 (1) To the United States, one million five hundred and eighty-
19 five thousand eight hundred and ninety-three dollars (\$1,585,893.00), to be paid into an escrow
20 account bearing interest on commercially reasonable terms, in a federally-chartered bank (the
21 "United States Escrow Account") within 15 business days after Defendants receive notice that
22 this Consent Decree has been lodged. Such monies shall remain in escrow until entry of the
23 Decree. If the Decree is not entered by the court, and the time for any appeal of that decision has
24 run, or if the court's denial of entry is upheld on appeal, the monies placed in escrow, together
25 with accrued interest thereon, shall be returned to Defendants. If the Decree is entered by the
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1 court, Defendants shall, within 15 days thereof, cause the monies (including all accrued interest)
2 in the United States Escrow Account to be released and disbursed to the United States. Payment
3 shall be made by Fedwire Electronic Funds Transfer ("EFT") to the United States Department of
4 Justice, in accordance with instructions provided to Defendants, following lodging of the
5 Consent Decree, by the Financial Litigation Unit of the Office of the United States Attorney for
6 the Eastern District of California. The payment shall reference the Civil Action Number
7 assigned to this case and Department of Justice Case Number ("DOJ No." 90-5-1-1-08427, and
8 U.S. Coast Guard reference number FPN A04010, and shall specify that the payments are made
9 toward CWA civil penalties to be deposited into the Oil Spill Liability Trust Fund pursuant to 33
10 U.S.C. § 1321(s), § 4304 of Pub. L. No. 101-380, and 26 U.S.C. § 9509(b)(8). Any funds
11 received after 11:00 a.m. Eastern Time shall be credited on the next business day. Defendants
12 shall simultaneously provide to the United States notice of this payment by submitting written
13 notice of the same and a copy of any transmittal documentation to the United States in
14 accordance with Section XIII of this Consent Decree (Notice), and to the following:

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19 LT Carolyn Leonard-Cho
20 National Pollution Funds Center
21 4200 Wilson Boulevard, Suite 1000
22 Arlington, Virginia 22203-1804

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125 (2) To the SFBRWQCB and the LRWQCB, one million three
126 hundred sixty thousand four hundred and forty-eight dollars (\$1,360,448.00), to be paid into an
127 escrow account bearing interest on commercially reasonable terms, in a federally-chartered bank

1 (the "Regional Water Board Escrow Account") within 15 business days after Defendants receive
2 notice that this Consent Decree has been lodged. Such monies shall remain in escrow until entry
3 of the Decree. If the Decree is not entered by the court, and the time for any appeal of that
4 decision has run, or if the court's denial of entry is upheld on appeal, the monies placed in
5 escrow, together with accrued interest thereon, shall be returned to Defendants. If the Decree is
6 entered by the court, Defendants shall, within 15 days thereof, cause the monies (including all
7 accrued interest) in the Regional Water Board Escrow Account to be released and disbursed to
8 the SFBRWQCB and the LRWQCB. Payment shall be made by cashier's or certified check
9 payable to the "State Water Resources Control Board-Waste Discharge Permit Fund" and sent to:

12 Bruce H. Wolfe
13 SFBRWQCB
14 1515 Clay Street, Suite 1400
15 Oakland, CA 94612

16 (3) To the CDFG, eight hundred and thirty-four thousand two
17 hundred and eighteen dollars (\$834,218.00), to be paid into an escrow account bearing interest on
18 commercially reasonable terms, in a federally-chartered bank (the "CDFG Escrow Account")
19 within 15 business days after Defendants receive notice that this Consent Decree has been
20 lodged. Such monies shall remain in escrow until entry of the Decree. If the Decree is not
21 entered by the court, and the time for any appeal of that decision has run, or if the court's denial
22 of entry is upheld on appeal, the monies placed in escrow, together with accrued interest thereon,
23 shall be returned to Defendants. If the Decree is entered by the court, Defendants shall, within 15
24 days thereof, cause the monies (including all accrued interest) in the CDFG Escrow Account to
25 be released and disbursed to the CDFG. Payment shall be made by cashier's check or certified
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1 check payable to the California Department of Fish and Game. The check shall reference the
2 "Kinder Morgan Spills" and reflect that it is a payment to the Fish and Wildlife Pollution
3 Account. The check shall be sent by certified mail to:
4

5 California Department of Fish and Game
6 Office of Spill Prevention and Response
7 Attn: Stephen Sawyer, Assistant Chief Counsel
8 1700 "K" Street, Suite 250
9 Sacramento, CA 95814

10 B. Defendants shall pay a civil penalty in the amount of fourteen
11 thousand five hundred seventy six dollars (\$14,576.00), to be paid within 15 business days after
12 Defendants receive notice that this Consent Decree has been lodged into an escrow account
13 bearing interest on commercially reasonable terms, in a federally-chartered bank (the "ESA
14 Escrow Account"). Such monies shall remain in escrow until entry of the Decree. If the Decree
15 is not entered by the court, and the time for any appeal of that decision has run, or if the court's
16 denial of entry is upheld on appeal, the monies placed in escrow, together with accrued interest
17 thereon, shall be returned to Defendants. If the Decree is entered by the court, Defendants shall,
18 within 15 days thereof, cause the monies (including all accrued interest) in the ESA Escrow
19 Account to be released and disbursed to the United States for the claims alleged by the United
20 States for violations of the Endangered Species Act. Said civil penalty shall be used for the
21 purposes authorized by 16 U.S.C. § 1540(d). Payment shall be made by EFT to the United States
22 Department of Justice in accordance with instructions provided to Defendants, following lodging
23 of the Consent Decree, by the Financial Litigation Unit of the Office of the United States
24 Attorney for the Eastern District of California. At the time of making such payment, Defendants
25 shall send a transmittal letter to the following address, indicating that the EFT has occurred and
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1 shall include the following reference: Kinder Morgan Energy Partners, Organization Code
2 99000, Lacey Act Reward Account: 14X1611-ECV.

3
4 Law Enforcement
5 Attention: Scott Heard, Regional Agent in Charge
6 U.S. Fish and Wildlife Service
7 2800 Cottage Way
8 Sacramento, CA 95826-1846

9 C. Defendants shall not deduct the amounts paid under this Section in
10 calculating federal income tax.

11 **V. CDFG RESPONSE AND REMEDIATION MONITORING COSTS**

12 9. Within thirty (30) days after the Effective Date of this Consent Decree,
13 Defendants shall pay twenty-two thousand four hundred and sixty-six dollars (\$22,466.00) to
14 CDFG for response costs associated with the Donner Discharge. Payment shall be made by
15 cashier's or certified check payable to the California Department of Fish and Game. The check
16 shall reference the Kinder Morgan Donner Discharge and reflect that it is a payment to the Fish
17 and Wildlife Pollution Account. CDFG shall deposit the money into the Oil Pollution Response
18 and Restoration Subaccount. The check shall be sent by certified mail to the address directed in
19 Paragraph 8(A)(3), above.

20 10. Within thirty (30) days after the Effective Date of this Consent Decree,
21 Defendants shall pay ninety-six thousand one hundred and fifty dollars (\$96,150.00) to CDFG for
22 response costs associated with the Suisun (\$39,194) and Oakland (\$56,956) Discharges.
23 Payment shall be made by cashier's or certified check payable to the California Department of
24 Fish and Game. The check shall reference the Kinder Morgan Suisun and Oakland Discharges
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1 and reflect that it is a payment to the Oil Spill Response Trust Fund. The check shall be sent by
2 certified mail to the address directed in Paragraph 8(A)(3), above.

3
4 11. Within thirty (30) days after the Effective Date of this Consent Decree,
5 Defendants shall pay fifty-one thousand four hundred dollars (\$51,400.00) to CDFG for
6 remediation monitoring associated with the Donner Discharge. Payment shall be made by
7 cashier's or certified check payable to the California Department of Fish and Game. The check
8 shall reference the Kinder Morgan Donner Discharge and reflect that it is a payment to the Fish
9 and Wildlife Pollution Account. CDFG shall deposit the money into the Oil Pollution Response
10 and Restoration Subaccount. The check shall be sent by certified mail to the address directed in
11 Paragraph 8(A)(3), above.
12

13 **VI. NATURAL RESOURCE DAMAGES PAYMENTS**

14
15 12. Within thirty (30) days after this Decree has been lodged with this Court,
16 Defendants shall deposit the amount of one million one hundred and fifty-one thousand and
17 ninety-nine dollars (\$1,151,099.00) into an escrow account bearing interest on commercially
18 reasonable terms, in a federally-chartered bank (hereinafter, the "Escrow Account"). If the
19 Decree is not entered by this Court, and the time for any appeal of that decision has run, or if this
20 Court's denial of entry is upheld on appeal, the monies placed in escrow, together with accrued
21 interest thereon, shall be returned to Defendants. If the Decree is entered by this Court,
22 Defendants shall, within thirty (30) days of the Effective Date, cause the monies in the Escrow
23 Account, and all accrued interest thereon, to be paid to DOI, on behalf of the Natural Resource
24 Trustees, for the purposes set forth in Paragraph 13(C), below. Such payment shall be made by
25 EFT to the United States Department of Justice in accordance with instructions provided to
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1 Defendants, following lodging of the Consent Decree, by the Financial Litigation Unit of the
2 Office of the United States Attorney for the Eastern District of California. Defendants shall send
3 a transmittal letter indicating that the EFT has occurred, to the Parties in accordance with Section
4 XIII of this Decree ("Notices") and to:

6 Department of the Interior
7 Natural Resource Damage Assessment
8 and Restoration Program
9 Attention: Restoration Fund Manager
10 1849 "C" Street, N.W., Mail Stop 4449
11 Washington, D.C. 20240

12 13. The EFT and transmittal letter shall reflect that the payment is being made
13 to the "Natural Resources Damage Assessment and Restoration Fund, Account No. 14X5198 -
14 KINDER MORGAN SUISUN OIL SPILL." DOI will assign these funds a special project
15 number to allow the funds to be maintained as a segregated account within the Department of the
16 Interior Natural Resource Damage Assessment and Restoration Fund, Account No.
17 14X5198**** (the "KINDER MORGAN SUISUN OIL SPILL NRD Account").

18 A. DOI shall, in accordance with law, manage and invest funds in the
19 KINDER MORGAN SUISUN OIL SPILL NRD Account and any return on investments or
20 interest accrued on the Account for use by the Natural Resources Trustees in connection with
21 Restoration of Natural Resources affected by the Spill. DOI shall not make any charge against
22 the KINDER MORGAN SUISUN NRD Account for any investment or management services
23 provided.
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1 B. DOI shall hold all funds in the KINDER MORGAN SUISUN
2 NRD Account, including return on investments or accrued interest, subject to the provisions of
3 this Decree.
4

5 C. The Natural Resources Trustees commit to the expenditure of these
6 funds for the design, implementation, permitting (as necessary), monitoring, and oversight of
7 restoration projects and for the costs of complying with the requirements of the law to conduct a
8 restoration planning and implementation process. The Natural Resource Trustees plan to use the
9 funds for restoration, enhancement, and protection of resources injured by the Suisun Discharge
10 and for oversight of these restoration projects. The allocation of funds for specific projects will
11 be contained in a Restoration Plan prepared and implemented jointly by the Trustees, for which
12 public notice, opportunity for public input, and consideration of public comment will be
13 provided. The Trustees jointly retain the ultimate authority and responsibility to use the funds in
14 the KINDER MORGAN SUISUN NRD Account to restore Natural Resources in accordance
15 with applicable law, this Consent Decree, and any Memorandum of Understanding (MOU)
16 between them.
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20 14. Within thirty (30) days after the Effective Date of this Consent Decree,
21 Defendants shall pay twenty thousand dollars (\$20,000.00) to the National Fish and Wildlife
22 Foundation to fund projects to restore resources damaged by the Donner Discharge. Payment is
23 to be made by cashier's or certified check payable to the National Fish and Wildlife Foundation.
24 The check or money order shall be sent by certified mail or overnight delivery to the attention of
25 counsel for the CDFG at the address set forth below:
26

27 State of California Department of Fish and Game
28

1 Office of Spill Prevention and Response
2 Attn: Stephen Sawyer, Assistant Chief Counsel
3 1700 "K" Street, Suite 250
4 Sacramento, CA 95814

5 The check shall reference the Donner Discharge and reflect that it is a payment to the
6 Environmental Fund for Habitat and Incident Specific Restoration Projects. The National Fish
7 and Wildlife Foundation shall deposit the funds into the Riverine Subaccount of the
8 Environmental Fund for Habitat and Incident Specific Restoration Projects. At the time of
9 payment, Defendants shall simultaneously send written notice of payment and a copy of any
10 transmittal documentation to Plaintiffs in accordance with Section XIII of this Consent Decree
11 (Notices).

12
13 15. Within thirty (30) days of the latter of the Effective Date of this Consent
14 Decree or delivery of an invoice, with supporting back-up documentation, to Defendants,
15 Defendants shall pay to DOI any reasonable unreimbursed Natural Resource Damage
16 Assessment costs that DOI has incurred through the Effective Date of this Consent Decree. Any
17 such amount payable to DOI shall be transmitted to DOI, Natural Resource Damage Assessment
18 and Restoration Fund, Account No. 14X5198- KINDER MORGAN SUISUN NRD Account by
19 EFT to the U.S. Department of Justice in accordance with instructions that the Financial
20 Litigation Unit of the U.S. Attorney's Office for the Eastern District of California shall provide
21 to Defendants following the Effective Date of this Consent Decree. At the time of payment,
22 Defendants shall simultaneously send written notice of payment and a copy of any transmittal
23 documentation (which shall reference DOJ No. 90-5-1-1-08427) to the Parties in accordance with
24 Section XIII of this Decree ("Notices").
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1 16. Within thirty (30) days of the date of the Effective Date of this Consent
2 Decree, Defendants shall pay the sum of sixteen thousand, ninety-nine dollars (\$16,099.00) to
3 NOAA for reimbursement of its Natural Resource Damage Assessment costs associated with the
4 Suisun Discharge. Payment shall be made by EFT to the U.S. Department of Justice in
5 accordance with instructions that the Financial Litigation Unit of the U.S. Attorney's Office for
6 the Eastern District of California shall provide to Defendants following the Effective Date of this
7 Consent Decree. At the time of payment, Defendants shall simultaneously send written notice of
8 payment and a copy of any transmittal documentation (which shall reference DOJ No. 90-5-1-1-
9 08427) to the Parties in accordance with Section XIII of this Decree ("Notices").

12 17. Within thirty (30) days of the latter of the Effective Date of this Decree or
13 the delivery of an invoice, with supporting back-up documentation, to Defendants, Defendants
14 shall pay to CDFG reasonable unreimbursed Natural Resource Damage Assessment costs that it
15 has incurred in connection with the Suisun discharge in the amount of one hundred and forty
16 thousand and four hundred and eighty-four dollars (\$140,484.00). Payment is to be made by
17 cashier's or certified check payable to the California Department of Fish and Game. The check or
18 money order shall be sent by certified mail or overnight delivery to:

21 State of California Department of Fish and Game
22 Office of Spill Prevention and Response
23 Attn: Stephen Sawyer, Assistant Chief Counsel
24 1700 "K" Street, Suite 250
 Sacramento, CA 95814

25 The check shall reference the "Kinder Morgan Spills" and reflect that it is a payment to the Oil
26 Spill Response Trust Fund.

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VII. INJUNCTIVE RELIEF

18. From the Effective Date until termination of this Consent Decree, EPA and Defendants shall meet quarterly at the EPA Region IX offices in San Francisco, California, to discuss the implementation of Defendants' Spill Prevention, Response or Reporting Practices, and make modifications as agreed by the EPA and the Defendants. At such meetings, Defendants shall make available, on request, all existing information and reports relevant to evaluating Defendants' implementation of their Spill Prevention, Response or Reporting Practices, including integrity management plans or any assessment or evaluation of pipelines within the Defendants' Pacific Operating Unit. To the extent these meetings involve implementation of integrity management plan requirements under 49 C.F.R Part 195 or any actions conducted pursuant to the PHMSA Consent Agreement, Defendants shall not object to participation in such meetings by PHMSA or its representative. Defendants may request additional meetings with EPA at any time without restriction. This Paragraph does not waive or supersede any authority that EPA may have to obtain information from Defendants related to the Spills or other matters within its jurisdiction or authority. EPA may, in its sole discretion, cancel or postpone any quarterly meeting required by this Consent Decree by written notice to Defendants.

19. From the Effective Date until the termination of this Consent Decree, Defendants shall not make material changes to their Spill Prevention, Response or Reporting Practices within their Pacific Operating Unit that, as may be determined by EPA, are less protective of Covered Waters, without prior written approval from EPA. For the purpose of this

1 Consent Decree, "material changes" to Spill Prevention, Response or Reporting Practices shall
2 mean:

3
4 1) the modification of any program with the effect of reducing the presence of qualified
5 personnel at any excavation near any portion of the pipeline;

6 2) the modification of any obligations or schedules stated in or approved pursuant to the
7 PHMSA Consent Agreement as of December 31, 2006;

8
9 3) the de-classification as of any portion of pipeline that, as of December 31, 2006,
10 Defendants have designated as "could affect a" HCA, in accordance with 49 C.F.R. § 195.452.

11 4) the modification of pipeline assessment and repair criteria established in Section 7
12 (Pipeline Repair Criteria), Section 8 (Continuing Assessment and Analysis), and Appendix E
13 (Repair Criteria) of Defendants' Integrity Management Program, where such modification might
14 result in: a) extending the timeframes or making less stringent the criteria for pipeline
15 excavation, repair or replacement; b) changing repair and other remediation methods; c) reducing
16 the likelihood that a condition would be discovered or the timeliness of such discovery; or d)
17 reducing the validity of ILI assessment results; or
18

19
20 5) the modification of the procedure to apply the same inspection, dig and repair criteria
21 for each portion of a pipeline segment regardless of whether an identified condition is in an area
22 that is designated as "could affect" a HCA pursuant to 49 C.F.R. § 195.452.

23
24 20. Defendants shall provide EPA semi-annually, beginning 180 days from the
25 Effective Date of this Consent Decree, a listing and description of any substantive changes
26 Defendants have made regarding their Spill Prevention, Response or Reporting Practices in the
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1 Pacific Operations Unit within the previous twelve (12) months, and upon EPA's written request,
2 provide a copy of the Defendants' written policies or practice where such changes were made.
3

4 21. Within 90 days after notice from EPA that Defendants have made a
5 material change to their Spill Prevention, Response or Reporting Practices in the Pacific
6 Operations Unit in a manner that EPA has determined to be less protective of Covered Waters, or
7 within such other time as agreed by EPA, Defendants shall implement its former Spill
8 Prevention, Response or Reporting Practices in the Pacific Operations Unit, or shall implement
9 modifications that EPA determines are the substantive equivalent of former Spill Prevention,
10 Response or Reporting Practices in the Pacific Operations Unit. To the extent that the
11 Defendants' Spill Prevention, Response or Reporting Practices in the Pacific Operations Unit are
12 required by the PHMSA Consent Agreement, any determinations by EPA will be made in
13 consultation with PHMSA.
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16 22. Within ninety (90) days of the Effective Date of this Consent Decree,
17 Defendants shall designate Line Sections 11, 12, and 13 of the SFPP Rocklin-Reno pipeline as
18 "could affect" an HCA, in accordance with 49 C.F.R. § 195.452, thereby subjecting those
19 portions of the pipeline to those regulations.
20

21 23. Within ninety (90) days of the Effective Date of this Consent Decree,
22 Defendants shall request that PHMSA approve a modification to the Close Interval Survey
23 ("CIS") schedule approved pursuant to the PHMSA Consent Agreement to ensure that the CIS
24 for Line Sections 11, 12 and 13 of the SFPP Rocklin-Reno pipeline are completed by December
25 31, 2008. Additionally, within ninety (90) days, Defendants shall request that PHMSA approve a
26 modification to the CIS schedule approved pursuant to the PHMSA Consent Agreement to
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1 ensure that the CIS for Line Sections 27, 95 and 103 (located near Mococo Marsh) are completed
2 by December 31, 2010.
3

4 **VIII. STIPULATED PENALTIES**

5 24. If Defendants fail to make any payments required under Section IV (Civil
6 Penalties), Section V (CDFG Response and Remediation Monitoring Costs) or Section VI
7 (Natural Resource Damages Payments) when due, Defendants shall pay a stipulated penalty of
8 fifteen hundred dollars (\$1,500.00) to each Plaintiff not paid in full, per day for each day that the
9 payment is late. Late payment of the obligations stated in Section IV (Civil Penalties), Section V
10 (CDFG Response and Remediation Monitoring Costs) and Section VI (Natural Resource
11 Damages Payments) shall be made in accordance with payment instructions in those Sections.
12 Stipulated Penalties under this Paragraph shall be paid as stated herein. All transmittal
13 correspondence shall state that any such payment is for late payment of the settlement payments
14 due under this Consent Decree, or for stipulated penalties, as applicable. Payments of stipulated
15 penalties under this Paragraph to the United States shall be made in accordance with the payment
16 instructions in Paragraph 29. Payments to the CDFG for stipulated penalties under this
17 Paragraph shall be made in accordance with Paragraph 30. On demand, payments to the
18 SFBRWQCB and LRWQCB for stipulated penalties under this Paragraph shall be made by
19 cashier's or certified check payable to the "State Water Resources Control Board - Waste
20 Discharge Permit Fund" and sent to the individual identified in Paragraph 8(A)(2), shall
21 reference the Civil Action Number assigned to this case and specify that the payment is for
22 stipulated penalties. Payments for stipulated penalties under this Paragraph based on the late
23 payment of the obligation stated in Paragraph 8(B) shall be made in accordance with Paragraph
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1 8(B), shall reference the Civil Action Number assigned to this case and that the payment is for
2 stipulated penalties.

3
4 25. Defendants shall be liable for Stipulated Penalties to the United States for
5 all other violations of this Consent Decree, unless excused under Section IX (Force Majeure). A
6 violation includes failing to perform any obligation required by the terms of this Decree,
7 including any injunctive relief, according to all applicable requirements of this Decree and
8 within the specified time schedules established by or approved under this Decree. Stipulated
9 Penalties under this Paragraph shall be paid in accordance with Paragraph 29 below. Stipulated
10 Penalties owing initially to the any agency of the state of California under this Consent Decree
11 may be demanded by the EPA if the Stipulated Penalty arises from the untimely payment of
12 penalties pursuant to Paragraph 8 of this Consent Decree and the respective agency of the state
13 of California has neither demanded or received payment of the Stipulated Penalty.
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Penalty Per Violation Per Day:	Period of Noncompliance:
\$500	1st through 14th day
\$1,000	15th through 30th day
\$2,000	31st day and beyond

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25 26. Stipulated Penalties under this Section shall begin to accrue on the day
26 after performance is due, and shall continue to accrue until performance is satisfactorily
27 completed. Stipulated Penalties shall accrue simultaneously for separate violations of this
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1 Consent Decree. Defendants shall pay any Stipulated Penalty within thirty (30) days of receiving
2 a written demand.

3
4 27. Any Plaintiff may, in the unreviewable exercise of its respective
5 discretion, reduce or waive Stipulated Penalties otherwise due to it under this Consent Decree.

6 28. Stipulated Penalties shall continue to accrue as provided in Paragraphs 24
7 and 25, above, during any Dispute Resolution, with interest on accrued stipulated penalties
8 payable and calculated at the rate established by the Secretary of the Treasury, pursuant to 28
9 U.S.C. § 1961, but need not be paid until the following:

10
11 A. If the dispute is resolved by agreement, Defendants shall pay
12 accrued penalties determined to be owing, together with interest, to the United States within
13 thirty (30) days of the effective date of that agreement;

14
15 B. If the dispute is submitted to the Court and the United States
16 prevails in whole or in part, Defendants shall pay all accrued penalties determined by the Court
17 to be owing, together with interest, within sixty (60) days of receiving the Court's decision or
18 order, except as provided in Subparagraph C, below;

19
20 C. If any Party appeals the District Court's decision, Defendants shall
21 pay all accrued penalties determined to be owing, together with interest, within fifteen (15) days
22 of receiving the final appellate court decision.

23
24 29. Defendants shall, as directed by the EPA or DOI in a demand, pay
25 stipulated penalties due and owing by EFT in accordance with instructions to be provided by the
26 Financial Litigation Unit of the U.S. Attorney's Office for the Eastern District of California, or
27

1 by certified or cashier's check in the amount due, payable to the "U.S. Department of Justice,"
2 referencing DOJ No. 90-5-1-1-08427, and delivered to:

3
4 United States Attorney, Financial Litigation Unit
5 Eastern District of California
6 501 I Street, Suite 10-100
7 Sacramento, California 95814

8 Payment of stipulated penalties shall be accompanied by transmittal correspondence that
9 specifies that the payment is for stipulated penalties due under this Decree and shall reference
10 DOJ No. 90-5-1-1-08427 and the case name and number, and by notice to the United States as
11 provided in Section XIII (Notices).

12 30. Defendants shall, as directed by CDFG in its demand, pay stipulated
13 penalties owing to CDFG by certified or cashier's check in the amount due, payable to the
14 California Department of Fish and Game. The check shall reference the "Kinder Morgan Spills"
15 and reflect that it is a payment to the Fish and Wildlife Pollution Account. Payment of stipulated
16 penalties shall be accompanied by transmittal correspondence stating that any such payment is
17 for stipulated penalties due under this Consent Decree and shall reference the case name and
18 number. The check shall be sent by certified mail to:

19
20 State of California Department of Fish and Game
21 Office of Spill Prevention and Response
22 Attn: Stephen Sawyer, Assistant Chief Counsel
23 1700 "K" Street, Suite 250
24 Sacramento, CA 95814

25 31. Defendants shall not deduct Stipulated Penalties paid under this Section in
26 calculating federal income tax.
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1 disputes arising under or with respect to this Consent Decree. However, such procedures shall
2 not apply to actions by Plaintiffs to enforce obligations of Defendants under this Consent Decree
3 that have not been disputed in accordance with this Section.
4

5 39. Any dispute subject to dispute resolution under this Consent Decree shall
6 first be the subject of informal negotiations between the United States and Defendants. The
7 dispute shall be considered to have arisen when Defendants send a written notice of dispute, as
8 provided in Section XIII of this Decree (Notices). Such notice of dispute shall state clearly the
9 matter in dispute. The period of informal negotiations shall not exceed twenty-one (21) days
10 from the date the dispute arises, unless that period is modified by written agreement. If informal
11 negotiations are unsuccessful, then Plaintiffs' position shall control unless Defendants file with
12 the court a petition to resolve the dispute within thirty (30) days after the conclusion of the
13 informal negotiation period. In any dispute under this Paragraph, Defendants shall bear the
14 burden of demonstrating that their position clearly complies with this Consent Decree and the
15 CWA, OPA, and any other applicable law, and that Defendants are entitled to relief under
16 applicable law.
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20 40. The invocation of dispute resolution procedures under this Section shall
21 not extend, postpone, or affect in any way any obligation of Defendants under this Consent
22 Decree, not directly in dispute. Stipulated Penalties with respect to the disputed matter shall
23 continue to accrue from the first day of noncompliance, but payment shall be stayed pending
24 resolution of the dispute as provided in Paragraph 39, above. If Defendants do not prevail on the
25 disputed issue, Stipulated Penalties shall be assessed and paid as provided in Section VIII
26 (Stipulated Penalties).
27
28

1 **XI. EFFECT OF SETTLEMENT/RESERVATION OF RIGHTS**

2 41. Effective on KMEP's and SFPPs' performance of their payment
3 obligations set forth in Sections IV, V and VI, this Consent Decree resolves the Defendants'
4 liability for the civil claims of the United States, the People of the State of California, *Ex*
5 *Relatione* the CDFG, SFBRWQCB, and the LRWQCB for the violations alleged in the
6 Complaint filed in this action. Plaintiffs reserve all legal and equitable remedies available to
7 enforce the provisions of this Consent Decree. This Consent Decree shall not be construed to
8 prevent or limit the rights of the United States, the People of the State of California, *Ex Relatione*
9 the CDFG, SFBRWQCB and the LRWQCB, to obtain penalties or injunctive relief under the
10 CWA or under other state or federal laws, regulations or permit conditions, except as expressly
11 specified herein.
12

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14
15 42. In any subsequent administrative or judicial proceeding as reserved in
16 Paragraph 47 herein initiated by the United States, or the People of the State of California, *Ex*
17 *Relatione* the CDFG, SFBRWQCB, and the LRWQCB relating to the Spills, Defendants shall
18 not assert, and may not maintain, any defense or claim based upon the principles of waiver, res
19 judicata, collateral estoppel, issue preclusion, claim-splitting, or other defenses based on any
20 contention that the claims raised by the United States, or the People of the State of California, *Ex*
21 *Relatione* the CDFG, SFBRWQCB, and the LRWQCB in the subsequent proceeding were or
22 should have been brought in the instant case.
23

24
25 43. This Consent Decree is not a permit, or a modification of any permit,
26 under any federal, state, or local laws or regulations. Defendants are responsible for achieving
27 and maintaining complete compliance with all applicable federal, state, and local laws,
28

1 regulations, orders, contracts and permits. Defendants' compliance with this Consent Decree
2 shall be no defense to any action commenced pursuant to said laws, regulations, orders, contracts
3 or permits. Plaintiffs do not, by their consent to the entry of this Decree, warrant or aver in any
4 manner that Defendants' compliance with any aspect of this Consent Decree will result in
5 compliance with provisions of the CWA, or with any other provisions of federal, state, or local
6 laws, regulations, orders, contracts or permits.
7

8
9 44. This Consent Decree does not limit or affect the rights of Defendants or of
10 the United States, the People of the State of California, *Ex Relatione* the CDFG, SFBRWQCB, or
11 the LRWQCB against any third parties that are not party to this Consent Decree, nor does it limit
12 the rights of third parties that are not party to this Consent Decree against Defendants, except as
13 otherwise provided by law.
14

15 45. This Consent Decree shall not be construed to create rights in, or grant any
16 cause of action to, any third parties that are not party to this Consent Decree.
17

18 46. Defendants hereby covenant not to sue and agree not to assert any claims
19 related to the Spills, or response activities in connection with the Spills, against the United
20 States, the CDFG, SFBRWQCB, and the LRWQCB pursuant to the CWA, OPA, or any other
21 federal law, state law, or regulation including, but not limited to, any direct or indirect claim for
22 reimbursement from the Oil Spill Liability Trust Fund, or pursuant to any other provision of law.
23

24 47. This Consent Decree is without prejudice to the rights, if any, of the
25 United States, the CDFG, SFBRWQCB, and the LRWQCB against Defendants with respect to
26 all matters other than those expressly set forth in Paragraph 41 of this Consent Decree, including,
27 but not limited to, the following:
28

1 A. claims based on a failure of Defendants to meet a requirement of
2 this Consent Decree;

3
4 B. any and all criminal liability;

5 C. past, present, or future releases, discharges, or discharges of oil
6 other than the Spills described in the Complaint;

7 D. reimbursement for any disbursements from the Federal Oil Spill
8 Liability Trust Fund arising from the Spills or any other related incident, pursuant to OPA,
9 including for subrogated claims under Section 1015 of OPA, 33 U.S.C. § 2715;

11 E. any reasonable and previously unreimbursed removal and
12 monitoring costs (except monitoring costs for Donner) incurred by the CDFG after the Effective
13 Date of this Consent Decree, in connection with the Spills;

14 F. any potential future claims for cleanup, remediation, and Natural
15 Resource damages based on oil in the environment from the Oakland Discharge that is causing or
16 threatens to cause the release into waters of the United States a quantity oil that may be harmful
17 as that phrase is defined at 40 C.F.R. § 110.3, or causing injuries to Natural Resources unknown
18 to Plaintiffs as of the Effective Date of this Consent Decree;

19 G. any potential future claims for cleanup, remediation, and Natural
20 Resource damages based on oil in the environment from the Donner Discharge remaining in the
21 event of the failure of the natural attenuation remedy, as provided in the Soil, Sediment, and
22 Water Monitoring Plan for the Kinder Morgan Donner Pass Petroleum Release, dated February
23 8, 2006, prepared by CDFG.
24
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1 H. any proceedings against Defendants in this action or in a new
2 action seeking recovery of damages to Natural Resources resulting from the Spills based on: (1)
3 conditions with respect to the Spills unknown to the United States or the State as of the date of
4 lodging of this Consent Decree that contribute to the injury to, destruction of, or loss of natural
5 resources; or (2) new information received by the United States or the State after the date of
6 lodging of this Consent Decree that indicates there is injury to, destruction of, or loss of
7 resources of a type or magnitude unknown to the United States as of the date of execution of this
8 Consent Decree.
9
10

11 XII. COSTS

12 48. The Parties shall bear their own costs in this action, including attorneys'
13 fees, except that the Plaintiffs shall be entitled to collect costs, including reasonable attorneys'
14 fees, incurred in any action necessary to collect any portion of the civil penalty or any stipulated
15 penalties due but not paid by Defendants.
16

17 XIII. NOTICES

18 49. Unless otherwise specified herein, whenever notifications, submissions, or
19 communications are required by this Consent Decree, they shall be made in writing and
20 addressed as follows:
21

22 As to the United States:
23

24 As to the U.S. Department of Justice:

25 Angela O'Connell (re: DOJ No. 90-5-1-1-08427)
26 Environmental Enforcement Section
27 Environment and Natural Resources Division
28 U.S. Department of Justice
301 Howard Street, Suite 1050
San Francisco, CA 94105

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As to EPA:

J. Andrew Helmlinger
Attorney Advisor
U.S. Environmental Protection Agency, Region IX
75 Hawthorne Street (ORC-3)
San Francisco, CA 94104

To receive verbal notification as required by this Decree: 415/972-3904

As to the DOI:

Charles McKinley
Assistant Field Solicitor
1111 Jackson Street
Suite 735
Oakland, CA 94607

As to NOAA:

Katherine Pease
Senior Counselor for Natural Resources
Office of General Counsel
501 W. Ocean Boulevard, Suite 4470
Long Beach, CA 90802-4213

As to CDFG:

Katherine Verrue-Slater
Staff Counsel III
Stephen Sawyer
Assistant Chief Counsel
Department of Fish and Game
Office of Spill Prevention and Response
1700 "K" Street, Suite 250
Sacramento, CA 95814

As to the SFBRWQCB:

Yuri Won
Staff Counsel III
State Water Resources Control Board
c/o San Francisco Bay Regional Water Quality Control Board
1515 Clay Street, Suite 1400
Oakland, CA 94612

1 As to the LRWQCB:

2 David Coupe
3 Staff Counsel
4 State Water Resources Control Board
5 1001 I Street, 22nd Floor
6 Sacramento, CA 95814

7 As to Defendants:

8 Ronald McClain
9 Vice President, Products Pipelines
10 Kinder Morgan Energy Partners
11 One Allen Center, Suite 1000
12 500 Dallas
13 Houston, TX 77002

14 David R. DeVeau
15 Vice President, Deputy General Counsel
16 Kinder Morgan Energy Partners
17 One Allen Center, Suite 1000
18 500 Dallas
19 Houston, TX 77002

20 Barry R. Ogilby
21 Cooper, White & Cooper LLP
22 1333 N. California Blvd., Suite 450
23 Walnut Creek, CA 94596

24 50. Any Party may, by written notice to the other Parties, change its designated
25 notice recipient or notice address provided above.

26 51. Notices submitted pursuant to this Section shall be deemed submitted
27 upon mailing, unless otherwise provided in this Consent Decree or by mutual agreement of the
28 Parties in writing.

XIV. EFFECTIVE DATE

52. The Effective Date of this Consent Decree shall be the date on which this
Consent Decree is entered by the Court.

1 **XV. RETENTION OF JURISDICTION**

2 53. The Court shall retain jurisdiction over this case until termination of this
3 Consent Decree, for the purpose of resolving disputes arising under this Decree or entering
4 orders modifying this Decree, pursuant to Sections X (Dispute Resolution) and XVI
5 (Modification), or effectuating or enforcing compliance with the terms of this Decree.
6

7 **XVI. MODIFICATION**

8 54. The terms of this Consent Decree may be modified only by a subsequent
9 written agreement signed by all the Parties. Where the modification constitutes a material
10 change to any term of this Decree, it shall be effective only on approval by the Court.
11

12 **XVII. TERMINATION**

13 55. After Defendants have completed performance of their obligations
14 required by this Decree, including payments under Sections IV, V and VI of this Decree, any
15 accrued Stipulated Penalties under Section VIII, and Injunctive Relief under Section VII, and no
16 sooner than five (5) years after the Effective Date of this Consent Decree, Defendants may
17 submit to Plaintiffs in writing a request for termination, stating that Defendants have satisfied
18 those requirements, together with all necessary supporting documentation.
19

20 56. If the Plaintiffs agree that the Defendants have satisfied the requirements
21 of this Consent Decree, the United States shall file a motion or a joint stipulation for termination
22 of the Decree. Plaintiffs may agree to terminate the Decree without any request from
23 Defendants.
24

25 57. If the Plaintiffs do not agree with Defendants that Defendants have
26 satisfied the requirements of this Consent Decree, the Defendants may invoke Dispute Resolution
27
28

1 under Section X of this Decree. However, Defendants may not seek Dispute Resolution of any
2 dispute pursuant to this Section until ninety (90) days after service of its Request for
3 Termination.
4

5 **XVIII. PUBLIC PARTICIPATION**

6 58. This Consent Decree shall be lodged with the Court for a period of not less
7 than thirty (30) days for public notice and comment, consistent with the procedures set forth in
8 28 C.F.R. § 50.7. The United States reserves the right to withdraw or withhold its consent if the
9 comments regarding the Consent Decree disclose facts or considerations indicating that the
10 Consent Decree is inappropriate, improper, or inadequate. Defendants agree not to oppose entry
11 of this Consent Decree by the Court or to challenge any provision of the Decree, unless the
12 United States has notified Defendants in writing that it no longer supports entry of the Decree.
13 Defendants consent to entry of this Consent Decree without prior notice.
14
15

16 **XIX. SIGNATORIES/SERVICE**

17 59. The Assistant Attorney General for the Environment and Natural
18 Resources Division of the Department of Justice, on behalf of the United States, and each
19 undersigned representative of the People of the State of California, *Ex Relazione* the CDFG,
20 SFBRWQCB, LRWQCB and Defendants certifies that he or she is fully authorized to enter into
21 the terms and conditions of this Consent Decree and to execute and legally bind the Party he or
22 she represents to the terms of this Decree.
23
24

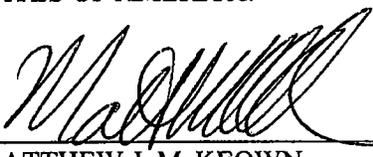
25 60. This Consent Decree may be signed in counterparts, and such counterpart
26 signature pages shall be given full force and effect.
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Signature Page to Consent Decree

FOR PLAINTIFF UNITED STATES OF AMERICA:

Date: 5/10/07



MATTHEW J. McKEOWN
Acting Assistant Attorney General
Environment and Natural Resources Division
United States Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611

Date: 5/9/07

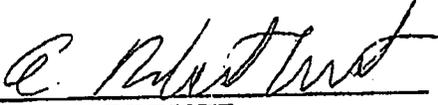


ANGELA O'CONNELL
Trial Attorney
Environmental Enforcement Section
Environment & Natural Resources Division
U.S. Department of Justice
301 Howard Street, Ste. 1050
San Francisco, CA 94105
Tel: 415/744-6485
Fax: 415/744-6476

1 Signature Page to Consent Decree
2 FOR PLAINTIFF UNITED STATES OF AMERICA (continued):

3 Date: May 14, 2007

4 MCGREGOR W. SCOTT
5 United States Attorney

6
7 By 
8 E. ROBERT WRIGHT
9 Assistant United States Attorney

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Signature Page to Consent Decree
FOR THE ENVIRONMENTAL PROTECTION AGENCY:

Date: 24 APRIL 2007



WAYNE NASTRI
Regional Administrator
U.S. Environmental Protection Agency, Region IX
San Francisco, CA

Of Counsel:

Date: Apr. 10 2007

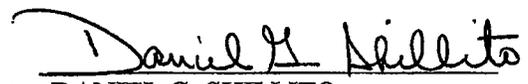


J. ANDREW HELMLINGER
Attorney Advisor
U.S. Environmental Protection Agency, Region IX
75 Hawthorne Street, ORC-3
San Francisco, CA 94104

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Signature Page to Consent Decree
FOR THE UNITED STATES DEPARTMENT OF THE INTERIOR:

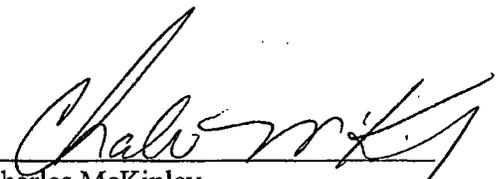
Date: 5-7-07



DANIEL G. SHILLITO
Regional Solicitor
2800 Cottage Way
Sacramento, California 95825

Of Counsel:

Date: 4/16/07



Charles McKinley
Office of the Field Solicitor
1111 Jackson Street, Suite 735
Oakland, California 94607

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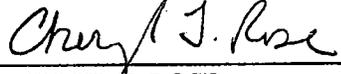
Signature Page to Consent Decree.
FOR THE ENVIRONMENTAL PROTECTION AGENCY(continued):

Date: 5/7/2007


GRANTA Y. NAKAYAMA
Assistant Administrator for Office of
Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
Washington, D.C.

Of Counsel:

Date: 4/9/07


CHERYL T. ROSE
Senior Attorney
Office of Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
Mail Code 2243A
1200 Pennsylvania Ave., NW
Washington, D.C. 20460

1 Signature Page to Consent Decree
2 FOR PLAINTIFF THE CALIFORNIA DEPARTMENT OF FISH AND GAME:

3
4 Date: 4/16/07 

5 LISA CURTIS, Administrator
6 California Department of Fish and Game
7 Office of Spill Prevention and Response
8 1700 K Street, Suite 250
9 Sacramento, CA 95814

9 Of Counsel:

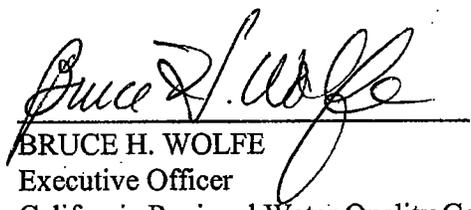
10
11 Date: 4/5/07 

12 STEPHEN L. SAWYER
13 Assistant Chief Counsel
14 Department of Fish and Game

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Signature Page to Consent Decree
FOR PLAINTIFF THE CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD,
SAN FRANCISCO BAY REGION:

Date: April 3, 2007



BRUCE H. WOLFE
Executive Officer
California Regional Water Quality Control Board,
San Francisco Bay Region
1515 Clay Street, Suite 1400
Oakland, CA 94612

Of Counsel:

Date: 13 April 07



ANITA E. RUUD
Deputy Attorney General
California Office of the Attorney General

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Signature Page to Consent Decree
FOR PLAINTIFF THE CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD,
LAHONTAN REGION:

Date: April 10, 2007



HAROLD J. SINGER
Executive Officer
California Regional Water Quality Control Board
Lahontan Region
2501 Lake Tahoe Blvd.
South Lake Tahoe, CA 96150

Of Counsel:

Date: 13 April 07



ANITA E. RUUD
Deputy Attorney General
California Office of the Attorney General

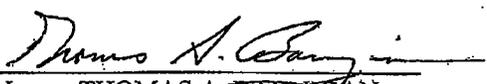
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Signature Page to Consent Decree
FOR DEFENDANT KINDER MORGAN ENERGY PARTNERS, L.P.,

By: Kinder Morgan G.P., Inc.
its General Partner

By: Kinder Morgan Management LLC,
the Delegate of Kinder Morgan G.P., Inc.

Dated: 4/11/2007

By: 
Name: THOMAS A. BANNIGAN
Title: Vice President

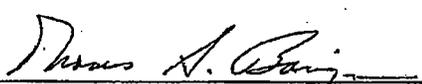
FOR DEFENDANT SFPP, L.P.,

By: Kinder Morgan Operating
L.P. "D", its General Partner

By: Kinder Morgan G.P., Inc.
its General Partner

By: Kinder Morgan Management LLC,
the Delegate of Kinder Morgan G.P., Inc.

Dated: 4/11/2007

By: 
Name: THOMAS A. BANNIGAN
Title: Vice President

ATTACHMENT

A



April 3, 2006

Mr. Joseph Ahern
Acting Chief Counsel
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
400 Seventh Street, S.W.
Suite 8417
Washington, DC 20590

APR 10 2006
10:10 AM
FBI

Re: Kinder Morgan Energy Partners, L.P., CPF No. 5-2005-5025H

Dear Joe:

Attached is an executed original of the Consent Agreement in the above referenced case. Execution date is April 4, 2006.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas A. Bannigan', is written over a horizontal line.

Thomas A. Bannigan
President
Kinder Morgan Products Pipelines

Attachment

cc: Robert E. Hogfoss, Esq.
Catherine Little, Esq.
Ron McClain, Kinder Morgan

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, DC 20590

In the Matter of)
)
Kinder Morgan Energy Partners, L.P.,)
)
Respondent)

CPF No. 5-2005-5025H

CONSENT AGREEMENT

On August 24, 2005, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Department of Transportation, issued Corrective Action Order (CAO) No. 5-2005-5025H to Kinder Morgan Energy Partners, L.P. (Respondent). Having agreed that settlement of the CAO is in the public interest and that entry of this Consent Agreement is the most appropriate means of resolving the CAO, without adjudication of any issue of fact or law, and upon consent and agreement of Respondent and PHMSA ("the Parties"), the following is agreed upon:

I. General Provisions

1. PHMSA issued CAO No. 5-2005-5025H to Respondent pursuant to 49 U.S.C. § 60112 and 49 C.F.R. § 190.233. The CAO directed Respondent to take certain corrective action with regard to its 3,900-mile Pacific Operations unit of hazardous liquid pipeline systems located in Arizona, California, Nevada, New Mexico, Oregon, and western Texas. The Pacific Operations unit includes, among Respondent's hazardous liquid systems in the above-mentioned states, the CALNEV and Sante Fe Pacific Pipelines systems and associated bulk terminals; it does not include the Carbon Dioxide system or the Cypress system. The CAO was predicated on PHMSA's determination that continued operation of the Pacific Operations unit absent specified corrective actions would be hazardous. Respondent filed a Request for Hearing on September 6, 2005, which disputed the factual and legal bases of the CAO, after which Respondent and PHMSA engaged in informal settlement discussions resulting in this Consent Agreement.

2. Respondent's participation in this Consent Agreement shall not constitute or be construed as an admission of liability. By entering into this Consent Agreement,

Respondent does not admit to any fact, allegation, or conclusion contained in CAO No. 5-2005-5025H.

3. Respondent hereby waives any right to administrative or judicial hearing or appeal on any issue of law or fact set forth in CAO No. 5-2005-5025H.

4. This Consent Agreement shall apply to and be binding upon PHMSA and Respondent, its officers, directors, and employees. This Consent Agreement applies to the entirety of all hazardous liquid pipeline systems within Respondent's Pacific Operations unit as defined in Paragraph 1 herein existing at the time of execution of this Consent Agreement and is not limited to segments of the pipeline that could affect a high consequence area (HCA), as defined by 49 C.F.R. § 195.450. These pipeline systems described in Paragraph 1 will remain subject to this Consent Agreement in the event that Respondent changes the name or organizational structure of the Pacific Operations unit or the pipeline systems within the unit.

5. Nothing in this Consent Agreement limits or modifies any of PHMSA's authorities under the Pipeline Safety Act, 49 U.S.C. § 60101 *et seq.*, regulations promulgated thereunder, or any other applicable law, including PHMSA's authorities to bring enforcement actions against Respondent pursuant to any applicable laws or regulations. This Consent Agreement does not waive or modify any requirements that are applicable to Respondent's pipeline systems under the Pipeline Safety Act, 49 U.S.C. § 60101 *et seq.*, regulations promulgated thereunder, or any other provision of Federal or state law.

6. Pursuant to 49 U.S.C. § 60112(c), PHMSA has provided appropriate state officials notice and opportunity to comment on the agreement to resolve this matter.

7. Respondent agrees to fully and completely perform all of the terms of this Consent Agreement. In exchange for this agreement by Respondent, PHMSA agrees to withdraw the CAO and hazardous facility determination set forth therein. These agreements and such withdrawal shall be effective on the Effective Date of this Consent Agreement.

8. Upon the Effective Date of this Consent Agreement, Respondent's Request for Hearing shall be withdrawn.

9. This Consent Agreement constitutes the final, complete and exclusive agreement between the Parties with respect to the settlement embodied in this Consent Agreement, and the Parties acknowledge that there are no representations, agreements or understandings relating to the settlement other than those expressly contained in this Consent Agreement.

II. Work to Be Performed

10. Respondent will conduct a comprehensive analysis of all accidents that have occurred since March 31, 2001 on the Pacific Operations unit that were required to be reported under 49 C.F.R. §§ 195.50 or 195.52 and all documented occurrences with regard to the Pacific Operations unit that field or control room staff responded to because of potential safety impacts to persons or property ("near misses"). The "near misses" will be identified through operation notes available from 2003 forward, product movement logs since 2001, and inline inspection dig logs since March 2001. The analysis of these accidents and documented occurrences will identify all potential and existing threats to the integrity of the Pacific Operations unit. Potential and existing threats include, but are not limited to: ongoing maintenance issues, environmental changes, original construction practices, outside force damage, line marking, one-call procedures, internal and external corrosion susceptibility (prevention and mitigation), human errors, personnel training, and Supervisory Control and Data Acquisition (SCADA) capabilities.

A. Respondent will execute a remediation plan to address the threats identified by the comprehensive analysis. The remediation plan will contain all planned pipeline repairs or changes to operations and maintenance, personnel qualification or training, or corrosion control procedures or activities required to address all threats identified by the analysis and will contain a schedule for these repairs or changes. In addition, the remediation plan will provide for implementation of Respondent's East Coast Products Pipeline Near Miss Tracking System throughout the Pacific Operations unit.

B. Respondent will repair all conditions defined under 49 C.F.R. § 195.452(h)(4)(i) through (iv) that are revealed by the comprehensive analysis or any activity related to the analysis within the timeframes set out in 49 C.F.R. § 195.452(h)(4) and in compliance with 49 C.F.R. § 195.422.

C. Respondent will incorporate into its Integrity Management Program, required by 49 C.F.R. § 195.452, any information resulting from the comprehensive analysis relevant to a pipeline or facility that could affect an HCA. Based on the comprehensive analysis, Respondent will modify as necessary its Integrity Management Program elements including, but not limited to, improvements to its baseline assessment plan, information analysis, criteria for remedial actions to address integrity issues, assessment and evaluation methods, preventive and mitigative measures to protect HCAs, and employee qualifications to review integrity assessment results and information analyses.

D. Respondent will provide a list of all accidents and documented occurrences subject to the comprehensive analysis to the Director, Western Region, Office of Pipeline Safety (OPS) for review and approval within 45 days of the Effective Date of this Consent Agreement. Respondent will submit the comprehensive

analysis and remediation plan for review and approval to the Director within 6 months of the Effective Date. Respondent will submit proposed changes to its Integrity Management Program to the Director for review and approval within 4 months of the Effective Date. Respondent will implement the remediation plan on the schedule approved by the Director and will make all changes to its Integrity Management Program within 30 days of receiving approval from the Director.

E. When submitting for review the comprehensive analysis, the remediation plan, and proposed changes to its Integrity Management Program, Respondent will include separate certifications as to the veracity of the factual information contained in each submission signed by a director or officer for Respondent.

F. Respondent will retain (see Paragraph 18) an independent risk assessment expert(s) to review the comprehensive analysis and remediation plan prior to submitting these items to the Director, Western Region, OPS. The independent expert will review the development of the analysis and remediation plan, verifying that Respondent has included all known accidents and occurrences, has properly identified potential and existing threats, and will adequately address the identified threats through the remediation plan. Respondent will also retain an independent risk assessment expert(s) to review its Integrity Management Program in order to verify that Respondent has adequately identified Integrity Management Program elements requiring improvement. The expert will review all proposed changes to the Integrity Management Program before Respondent submits them to the Director, verifying that the proposed changes will adequately address the potential and existing threats identified in areas of the Pacific Operations unit that could affect a high consequence area.

11. Respondent will create a system to integrate all data relevant to the integrity of the Pacific Operations unit for use in its operations and maintenance procedures and Integrity Management Program. The system will be based on Respondent's existing natural gas GIS PODS system and will graphically incorporate, at a minimum, internal inspection tool data, close interval and cathodic protection survey data, coating survey data, excavation and inspection data, foreign line crossing data, pipeline materials specifications, and HCA data. The system will be capable of graphically displaying all integrated data by location and will link the aforementioned data to the uniform right-of-way stationing system developed pursuant to Paragraph 14H of this Section. Respondent will submit a proposal detailing the design of the system and a proposed schedule for populating the system with relevant data no later than 2 months after the Effective Date of this Consent Agreement for the approval of the Director, Western Region, OPS.

12. Respondent will perform an outside force damage assessment by internally inspecting all Pacific Operations unit pipelines within 5 years of the Effective Date of this Consent Agreement.

A. Within 6 months of the Effective Date, Respondent will submit to the Director, Western Region, OPS for review and approval a description of all tools that will be used to internally inspect any segment of the Pacific Operations unit along with an explanation as to why the tool is the most technically appropriate selection to assess outside force damage for that segment. All internal inspection tools proposed by Respondent for the Director's approval will be capable of assessing axial gouges that are not associated with dents. Upon the approval of the Director, Respondent will carry out that assessment within the 5-year timeframe.

B. In the event that Respondent determines a segment of the Pacific Operations unit is incapable of receiving any internal inspection tool, Respondent will submit a proposal to the Director within 6 months of the Effective Date for the assessment of that segment within the 5-year timeframe using hydrostatic testing or a technology better suited to assess outside force damage, subject to the Director's approval. Upon the approval of the Director, Respondent will carry out that assessment within the 5-year timeframe.

C. If a more effective technology for assessing outside force damage becomes available after the Director has approved Respondent's proposed internal inspection tool(s), Respondent may seek the Director's approval to use the newly-available technology.

D. Respondent will repair all gouges and other conditions defined under 49 C.F.R. § 195.452(h)(4)(i) through (iv) that are revealed by the assessment on a schedule that comports with the deadlines set out in 49 C.F.R. § 195.452(h)(4) and in compliance with 49 C.F.R. § 195.422.

E. The requirements of the preceding subparagraphs (A through D) shall apply to all hazardous liquid pipeline systems covered by this Consent Agreement unless Respondent demonstrates to the satisfaction of the Director, Western Region, OPS through a risk assessment verified by an independent risk assessment expert, that any particular pipeline segment has not been subject to outside force damage in the form of undetected third party damage, mechanical pipe damage inflicted during construction of the pipeline, or other mechanical damage inflicted by outside forces. In such case, after approval of the Director, the Respondent may exclude such segment from the internal inspection otherwise required by the preceding subparagraph. In no event shall the performance of such a risk assessment alter the deadlines established under the preceding subparagraphs.

13. Respondent will assess the adequacy of its corrosion control systems, performing close interval surveys of all of the Pacific Operations unit hazardous liquid pipeline systems within 10 years of the Effective Date of this Consent Agreement.

A. Respondent will propose a schedule to be approved by the Director, Western Region, OPS for the close interval surveys that ensures that the 50% of the Pacific Operations unit pipeline mileage considered most susceptible to corrosion will be evaluated within 5 years of the Effective Date. As part of the schedule, Respondent may propose to include close interval surveys performed on the Pacific Operations unit on or after January 1, 2003. Respondent will determine the susceptibility of all Pacific Operations unit pipeline segments to corrosion based on all available relevant data, including data pertaining to coating conditions, cathodic protection readings, and inline inspections. These determinations will be provided to the Director with the proposed schedule for completing close interval surveys.

B. Respondent will perform the close interval surveys in accordance with National Association of Corrosion Engineers (NACE) standard RP0169-96. With respect to each location where the cathodic protection fails to conform to the standard set forth in NACE RP0169-96, hereinafter the "Performance Standard," Respondent will bring the cathodic protection at each location into compliance with the Performance Standard within 1 year of the date of the close interval survey, except for interference currents, which will be eliminated within 60 days. Respondent will verify that these measures comply with the Performance Standard through pipe-to-soil readings measured in accordance with NACE standard RP0169-96.

C. Respondent will submit written corrosion control status reports to the Director, Western Region, OPS at least once every 6 months beginning on the first of the month 3 months after the Effective Date of this Consent Agreement. The first written corrosion control status report will include the proposed schedule for the close interval surveys required under this Paragraph. The status reports submitted to the Director thereafter will include a description of all corrosion control-related work performed pursuant to this Consent Agreement, an identification of each location on the pipeline (using, at a minimum, the stationing system developed pursuant to Paragraph 14H of this Consent Agreement) that the close interval survey has identified as falling below the Performance Standard, a description of the corrective measures to be taken to bring that location up to the Performance Standard, and, once those measures have been completed at that location on the schedule required herein, a certification that Respondent has performed pipe-to-soil readings measured in accordance with NACE standard RP0169-96, and that the cathodic protection system at such location meets the Performance Standard.

D. In conjunction with the close interval surveys, and within 3 months after the close interval survey has been performed at a particular location, Respondent will integrate the data obtained from the close interval surveys with data regarding corrosion obtained from internal surveys (along with all other relevant data) to identify areas on the pipeline where the coating may be disbonded or damaged. For those areas where the integrated data indicates that the coating may be

disbonded or damaged, Respondent will, within 6 months thereafter, verify whether the coating is disbonded or damaged at that location and make appropriate repairs to achieve compliance with the Performance Standard. Respondent will verify that these measures have in fact achieved compliance with the Performance Standard through pipe-to-soil readings measured in accordance with NACE standard RP0169-96.

E. Respondent will provide for approval by the Director, Western Region, OPS, a schedule of no greater than 10 years for follow-up close interval surveys for each line segment of the Pacific Operations. The Director will consider a reassessment schedule that is greater than 10 years, if sufficient technical justification is provided in writing by Respondent.

14. Respondent will develop a program to enhance the value of internal inspections for identifying integrity threats. In addition to the work to be performed as described in the subparagraphs below, the program will integrate all data obtained through the work performed within its operations and maintenance procedures and Integrity Management Program, where applicable. Respondent will ensure that all internal inspections conducted after the Effective Date of this Consent Agreement comport at a minimum with the requirements of all subparagraphs below and the requirements of 49 C.F.R. § 195.452(c)(1)(i)(A) unless the Director, Western Region, OPS provides written permission allowing an assessment to be performed via hydrostatic testing or other technology that will be more effective for assessing the integrity of the pipeline.

A. Respondent will develop algorithms for assessing data obtained from metal loss tools utilizing interaction lengths that consider both general corrosion and localized pitting. Assessment of metal loss anomalies will consider tool tolerances and corrosion growth based on recognized industry practices or Respondent's operating knowledge. Respondent will submit the algorithms for approval to the Director, Western Region, OPS within 3 months from the Effective Date of this Consent Agreement. Upon approval, Respondent will use the algorithms in assessing data obtained from all metal loss tools, including magnetic flux leakage and ultrasonic devices.

B. Respondent will evaluate all internal inspection tool data regarding general corrosion in accordance with NACE standard RP-102-2002 Section 8.4.3.2.3. Respondent may revise the interaction length detailed in the NACE standard if it presents field data to the Director, Western Region, OPS demonstrating that a shorter interaction length would be equally effective to identify integrity-threatening corrosion, and if the Director approves this revision.

C. Respondent will develop a methodology to identify the growth of corrosion in a single joint of pipe where individual corrosion anomalies may not require excavation and remediation under 49 C.F.R. Part 195, but that, based on the rate

of corrosion growth, pose a risk to the joint of pipe. Respondent will submit the methodology to the Director, Western Region, OPS within 3 months from the Effective Date of this Consent Agreement for approval. Upon approval, Respondent will apply the methodology with respect to all internal inspection data obtained regarding corrosion. With respect to each location on the pipeline determined through application of the methodology to be at risk from corrosion, Respondent will promptly make repairs and take all other measures necessary to ensure the integrity of the pipeline. Respondent will repair all conditions defined under 49 C.F.R. § 195.452(h)(4)(i) through (iv) on a schedule that comports with the deadlines set out in 49 C.F.R. § 195.452(h)(4) and in compliance with 49 C.F.R. § 195.422.

D. Respondent will reevaluate magnetic flux leakage internal inspections conducted on all hazardous liquid pipelines in the Pacific Operations unit since 1997 in accordance with the above subparagraphs A, B, and C within 6 months from the Effective Date of this Consent Agreement. Respondent will re-determine the safe operating pressure for the Pacific Operations pipeline systems based on the results of the reevaluation and will not exceed P-Safe operating pressure on any system. Respondent will repair all defects identified through the reevaluation on a schedule, to be submitted to the Director, Western Region, OPS within 6 months of reevaluation of each pipeline system for approval, that at a minimum comports with the deadlines set out in 49 C.F.R. § 195.452(h)(4). All conditions defined in 49 C.F.R. § 195.452(h)(4)(i) through (iv) will be repaired in compliance with 49 C.F.R. § 195.422.

E. In all internal inspections after the date of this Consent Agreement, any geometry tools used by Respondent will be capable of accurate characterization of features that include dents, ovalities, wrinkles, and buckles. The tool will possess adequate sensor spacing to ensure data obtained will allow accurate strain analyses calculations. The tool will meet, at a minimum, the following specifications:

- i. Capable of detecting dents with depths of greater than .15 inches in pipelines of up to 24 inches in diameter at a 90 percent probability of detection;
- ii. Capable of detecting ovalities of less than 1.0 percent of the nominal pipeline diameter for pipelines greater than 10 inches in diameter at a 90 percent probability of detection;
- iii. Capable of characterizing dent depths to +/- 1.0 percent of the nominal pipeline diameter at 85 percent confidence;

- iv. Capable of detecting dents with areal dimensions greater than 1.0 inch width by 1.0 inch length;
- v. Possessing circumferential accuracy within +/- 1 o'clock position; and
- vi. Possessing axial accuracy within +/- 1 percent of a reference point.

F. Respondent will reevaluate all internal inspections in the Pacific Operations unit since 1997 that utilized geometry tools, taking into account the tolerances of each tool used, within 6 months of the Effective Date of this Consent Agreement. Alternatively, within 5 years of the Effective Date of this Consent Agreement, Respondent will re-inspect all hazardous liquid pipelines in the Pacific Operations unit that have been internally inspected with a geometry tool since 1997 utilizing a tool that meets, at a minimum, the specifications required in the above subparagraph E. Respondent will repair all defects identified through the reevaluation or re-inspection on a schedule that at a minimum comports with the deadlines set out in 49 C.F.R. § 195.452(h)(4). Respondent will repair all conditions defined in 49 C.F.R. § 195.452(h)(4)(i) through (iv) and in compliance with 49 C.F.R. § 195.422.

G. Respondent will establish a documented feedback process within 3 months from the Effective Date of this Consent Agreement for approval by the Director, Western Region, OPS. The feedback process will provide accurate information from Respondent's personnel to any internal inspection tool vendor regarding the correlation of field non-destructive examinations and internal inspection tool data. The process will include procedures to perform excavations and assess pipeline conditions and anomalies in the field, and to correlate the information obtained in the field with internal inspection data. Upon approval of the Director, Respondent will comply with all aspects of the required process and its procedures. In addition, Respondent will provide comprehensive and effective training to all personnel responsible for non-destructive testing to ensure their ability to implement these requirements.

H. Respondent will develop a uniform right-of-way stationing system that utilizes, at a minimum, girth weld position numbering to correlate internal inspection tool data with pipeline locations. Respondent will submit a proposal within 3 months from the Effective Date of this Consent Agreement for the system to be used to the Director, Western Region, OPS for approval. Upon approval, Respondent will use this stationing system to correlate pipeline locations with internal inspection tool data, cathodic protection and close interval survey data, and any other pipeline inspection data.

15. Within 60 days of the Effective Date of this Consent Agreement, Respondent will submit for review and approval by the Director, Western Region, OPS, the procedure(s)

that define its one-call damage prevention activities for excavations along its pipeline right-of-way(s). The procedures must include provisions to provide on-site monitoring during mechanized excavation activities in close proximity to Respondent's pipeline facilities.

16. Respondent will incorporate all work products and data resulting from Paragraphs 11 through 15, as applicable, into its Integrity Management Program procedures and manual for Operations, Maintenance, and Emergencies.

17. Respondent will create a secure, encrypted website, accessible only by OPS and its agents acting pursuant to Federal authorization, that enables access to all technical final documents, required submissions, and status of work pursuant to this Consent Agreement. Wherever applicable, information on the website will be correlated to the uniform stationing system developed pursuant to Paragraph 14H. The website will be operational within 3 months of the Effective Date of this Consent Agreement. The website will be populated with relevant data on a rolling basis, with any submissions required under this Consent Agreement being posted to the website on or before the specified deadline. Respondent may make all assertions and claims available pursuant to Section VII (Information Disclosure) regarding information posted on this website.

18. Within 30 days of the date of this Consent Agreement, Respondent will submit to the Director, Western Region, OPS, a list of names of proposed independent experts to be retained by Respondent for each task that requires utilization of an independent expert. Each expert proposed by Respondent must be qualified to carry out the applicable requirements of the task for which that expert is proposed. No expert proposed will have been previously or materially involved in the development of the activity he or she will be reviewing. Respondent will submit information sufficient for the Director to determine whether each expert possesses the necessary qualifications. After reviewing the information submitted by Respondent, the Director may approve one or more of the names submitted or disapprove any or all of the names.

III. Review and Approval Process

19. With respect to each submission that under this Consent Agreement requires the approval of the Director, Western Region, OPS, the Director may: (a) approve, in whole or in part, the submission, (b) approve the submission on specified conditions, (c) disapprove, in whole or in part, the submission, or (d) any combination of the foregoing. In the event of approval, approval in part, or approval upon conditions, Respondent will proceed to take all action required by the submission as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures in Section VI with respect to any conditions identified by the Director. In the event that the Director disapproves all or any portion of the submission, the Director will provide Respondent with a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval. In the event that a

resubmitted item is disapproved in whole or in part, the Director may again require Respondent to correct the deficiencies in accordance with the foregoing procedure, subject to Respondent's right to invoke the dispute resolution procedures in Section VI.

IV. Force Majeure

20. Respondent agrees to perform all terms of this Consent Agreement within the timeframes established under this Consent Agreement, unless performance is delayed by a force majeure. For purposes of this Consent Agreement, a force majeure is defined as any event arising from causes beyond the control of Respondent, or any entity controlled by Respondent or Respondent's contractors, which delays or prevents performance of any obligation under this Consent Agreement despite Respondent's best efforts to fulfill the obligation. Force majeure does not include financial inability to complete activities required under Section II (Work to Be Performed), increased cost of performance, or changes in Respondent's business or economic circumstances.

21. If an event occurs or has occurred that may delay the performance of any term of this Consent Agreement beyond the approved timeframe, whether or not caused by a force majeure event, Respondent shall verbally notify the Director, Western Region, OPS within 5 business days of when Respondent knew or should have known that the event might cause a delay. Such notice shall identify the cause of the delay or anticipated delay and the anticipated duration of the delay; state the measures taken or to be taken to prevent or minimize the delay; and estimate the timetable for implementation of those measures. Failure to comply with the notice provision of this paragraph and to undertake best efforts to avoid and minimize the delay shall waive any claim of force majeure by Respondent. Respondent shall be deemed to have notice of any circumstances of which its contractors had or should have had notice.

22. If the Director, Western Region, OPS determines that a delay or anticipated delay in performance is or was attributable to a force majeure, then the time period for the performance of that term will be extended as deemed necessary by the Director. The Director will notify Respondent, in writing, of the length of any extension of performance of such terms affected by the force majeure. Any such extensions shall not alter Respondent's obligation to perform or complete other terms of this Consent Agreement which are not directly affected by the force majeure.

V. Stipulated Penalties

23. In the event that Respondent fails to comply with any requirement of this Consent Agreement, Respondent shall be liable for stipulated penalties unless a force majeure event has occurred and PHMSA has approved the extension of a deadline, in accordance with Section IV (Force Majeure). Compliance with this Consent Agreement by Respondent includes completion of any term of this Consent Agreement within the timeframe approved under this Consent Agreement.

24. The following stipulated penalties shall be payable per instance of failure to comply per day: \$1,000 per day for the 1st through 10th days of noncompliance; \$5,000 per day for the 11th through 30th days of noncompliance; and \$10,000 per day for each day of noncompliance thereafter. Penalties shall begin to accrue on the day after performance is due and shall continue to accrue through the final day of completion or correction of the activity. Payment shall be due within 30 days of receipt of a demand letter from PHMSA. Nothing herein shall prevent the simultaneous accrual of separate stipulated penalties for separate instances of noncompliance with this Consent Agreement. With respect to any noncompliance which is contested in accordance with the dispute resolution procedures set forth in Section VI of this Consent Agreement, stipulated penalties shall continue to accrue as provided in this Paragraph during dispute resolution, but need not be paid until the resolution of the dispute in accordance with that Section. In such event, all stipulated penalties due shall be paid within 15 days of the issuance of the determination by the Director, Western Region, OPS, or if that determination is appealed to the Associate Administrator, within 15 days of the decision of the Associate Administrator. In the event Respondent prevails in a claim subject to dispute resolution under Section VI of this Consent Agreement, Respondent shall not owe any stipulated penalties based on such claim.

25. Respondent shall make payments of any stipulated penalties by wire transfer through the Federal Reserve Communications System to the account of the U.S. Treasury in accordance with the procedures PHMSA has established under 49 C.F.R. § 89.21. Upon making a payment, Respondent shall send a separate notification of that payment to the Chief Counsel, Office of Chief Counsel, PHMSA, U.S. Department of Transportation, Room 8417, 400 7th Street SW, Washington DC, 20590.

26. Payments of penalties shall not alter Respondent's obligation to comply with the terms and conditions of this Consent Agreement. The stipulated penalties set forth herein do not preclude PHMSA from pursuing any other remedies or sanctions which may be available to PHMSA by reason of Respondent's failure to comply with the Consent Agreement.

VI. Dispute Resolution

27. PHMSA and Respondent will informally attempt to resolve any disputes arising under this Consent Agreement. Respondent and a lead inspector to be designated by the Director, Western Region, OPS will first confer in an effort to resolve the dispute. If Respondent and the lead inspector are unable to informally resolve the dispute within 15 days, Respondent may request in writing, within 10 days, a written determination resolving the dispute by the Director, Western Region, OPS. The request will provide all information that Respondent believes is relevant to the dispute. If the request is submitted as provided herein, the Director will issue a determination in writing. Respondent shall notify the Director in writing within 7 days of receipt of the Director's

determination whether Respondent intends to proceed in accordance with the Director's determination. The Director's determination shall no longer be subject to dispute pursuant to this Consent Agreement, unless within 7 days of receipt of the Director's determination, Respondent files an appeal with the Associate Administrator for Pipeline Safety. The Associate Administrator will issue a written decision after receipt of Respondent's appeal. Respondent shall notify the Director and the Associate Administrator in writing within 7 days of receipt of the Associate Administrator's decision whether Respondent intends to proceed in accordance with the Associate Administrator's decision.

28. PHMSA reserves all of its rights to seek enforcement of this Consent Agreement and/or any other appropriate relief in the event that Respondent does not proceed in accordance with the Director's determination, or if appealed, in accordance with the Associate Administrator's decision. The existence of a dispute and PHMSA's consideration of matters placed in dispute shall not excuse, toll, or suspend any term or timeframe for completion of a term imposed by this Consent Agreement during the pendency of the dispute resolution process except as agreed by the Director in writing.

VII. Information Disclosure

29. For any deliverables required to be submitted to PHMSA pursuant to this Consent Agreement, Respondent may assert a claim of business confidentiality, or for any other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to PHMSA pursuant to the terms of this Consent Agreement. The claim of confidentiality shall be in writing, shall accompany the submission of information to be covered, and shall include a statement specifying the grounds for the claim of confidentiality. If Respondent has submitted such claim accompanying the submission of information, PHMSA shall consider the claim as a statement of objection to release of the information. PHMSA shall release information submitted pursuant to this Consent Agreement only in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, and other applicable regulations and Executive Orders.

30. Respondent may assert that certain documents, records and other information are privileged under the attorney-client privilege or any other privilege recognized by federal law. If Respondent asserts such a privilege in lieu of providing documents, Respondent shall provide PHMSA with the following: (1) the title of the document, record, or information; (2) the date of the document, record, or information; (3) the author's name and title; (4) the name and title of each addressee and recipient; (5) a description of the contents; and (6) the privilege asserted by Respondent. However, no documents, reports, data, or other information required to be created or submitted to PHMSA pursuant to the requirements of this Consent Agreement shall be withheld from PHMSA on the grounds that they are privileged.

31. Nothing in this Consent Agreement shall be construed to limit PHMSA's right of access, entry, inspection, and information gathering pursuant to applicable law, including but not limited to the Pipeline Safety Act, 49 U.S.C. § 60101 *et seq.*, or regulations promulgated thereunder.

VIII. Timeliness

32. Unless otherwise specified herein, all actions, decisions or determinations required to be undertaken pursuant to this Consent Agreement shall be made in a timely manner.

IX. Effective Date

33. The "Effective Date" as used herein is the date on which this Consent Agreement has been signed by both Respondent and PHMSA. Unless specified to the contrary, all deadlines for actions required by this Consent Agreement run from the Effective Date of the Consent Agreement.

X. Termination

34. This Consent Agreement shall terminate upon the completion of all terms set forth in Section II (Work to Be Performed). Respondent may request written confirmation from PHMSA when this Consent Agreement is terminated. Further, prior to termination, but not earlier than 5 years after the Effective Date, Respondent may request confirmation from PHMSA that all of the requirements of Section II (Work to Be Performed), with the exception of those set forth in Paragraph 13, have been completed by Respondent.

XI. Ratification

35. The Parties hereby agree to all conditions and terms of this Consent Agreement:

For PHMSA:

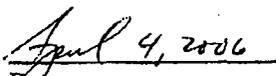
For Respondent:


Stacey Geram
Associate Administrator
for Pipeline Safety


Thomas A. Bannigan
President, Products Pipelines,
Kinder Morgan Energy Partners

MAR 29 2006

Date


April 4, 2006

Date